WEEKLY ECONOMIC REVIEW

OCTOBER 21, 2005

The Bank of Canada increased its overnight target rate by 25 basis points this week to 3.0 per cent. With the Canadian economy operating at full capacity and expected to through 2007, the Bank stated 'some further reduction of monetary stimulus will be required...over the next four to six quarters.'

It was also noted that the recent rise in the Canadian dollar was justified by higher energy prices and solid economic fundamentals, indicating that the strength of the loonie was not going to be a deterrent for further rates increases.

The Bank revised its Canadian economic outlook with real GDP expected to grow at 2.8 per cent in 2005 (up from July's Outlook of 2.7 per cent), 2.9 per cent in 2006 (down from 3.3 per cent) and 3 per cent in 2007. Further adjustments to global developments, along with uncertainty of current and future growth and future energy prices pose as near-term risks to the outlook.

Canada's domestic economy continues to power ahead, with retail sales up 7.1% in the first eight months of 2005, as compared to the same time period in 2004. August retail sales were reported to be down 0.3 per cent, but if the post-dealer incentive sale of autos were excluded, August sales were up 0.2 per cent from July. Double digit retail sales persist in Alberta, with year-to-date sales up 12.7 per cent from 2004.

Cdn Dollar (C¢/US$)		
⟷	Oct 21, 2005	84.4¢
	Oct 14, 2005	84.3¢
	2005-06 YTD	82.1¢
WTI Oil SUS/bbl		
↓	Oct 20, 2005	$61.03
	Oct 13, 2005	$63.08
	2005-06 YTD	$58.75
Nymex Natural Gas CS/mcf*		
October Contract		
⟷	Oct 21, 2005	$15.19
	Oct 14, 2005	$15.19

*Estimate based on Nymex Futures Market Price

China recorded economic growth of 9.4 per cent in the third quarter of 2005, more of the same following growth of 9.5 per cent in the second quarter. Market distortions within China continue to be of concern, especially the use of oil subsidies.

Energy prices retreated again this week as reports suggest Hurricane Wilma will miss the U.S. Gulf Coast. Also, a sharp recovery in refining output as well as faltering oil demand have put further downward pressure on oil prices, closing at US$61.03 a barrel on Thursday.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Wholesale Trade ($millions)	**August**			
Alberta	4,574	0.4%	14.5%	17.2%
Canada	39,921	0.7%	3.7%	5.9%
Retail Trade ($ millions)	**August**			
Alberta	4,196	0.4%	15.4%	12.7%
Canada	31,161	-0.3%	7.3%	7.1%

Source: Statistics Canada

[1]*Year-to-date 2005 compared to the same time period in 2004. For example: January-August 2005 versus January-August 2004*